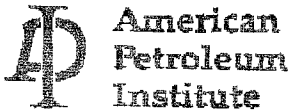


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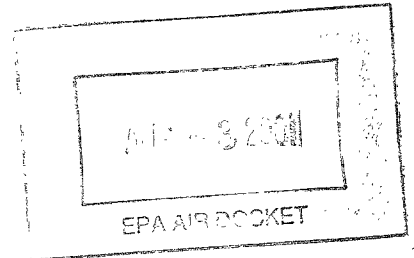


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Edward H. Murphy
Downstream General Manager

July 27, 2001

Ms. Margo T. Oge, Director
Office of Transportation and Air Quality
United States Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, D.C. 20460



Dear Ms. Oge:

Thank you very much for your letter of July 19 and your interest in receiving the consensus recommendations of API member companies regarding the boutique fuels problem.

As you are no doubt aware, the petroleum industry places a very high priority on providing consumers with readily available, reasonably priced petroleum products. For this reason, we are very concerned with the adequacy of U.S. refinery capacity and with policies that impede its expansion or interfere with its most efficient usage. Utilization rates averaging 93% for the first half of this year, with even higher rates in the spring and on the East Coast, leave little room for the unexpected, but inevitable, operating problems and disturbances.

It is for that reason—because it limits gasoline supply flexibility and thus exacerbates the problem of a lack of spare refining capacity—that we would like to see a reduction in the number of boutique fuels. At the same time, we do not want states and localities denied access to the fuels they have relied upon to meet their air quality goals. However, this also highlights the difficulty of identifying a reduced menu of gasolines that does not also alter gasoline specifications in ways that will further reduce gasoline supply capability.

While I do not think we are in a position to suggest the definitive solution to the problem, we have identified a series of points that may be helpful in moving to such a solution. We would be very pleased to discuss these with you and will call your office to arrange an appointment.

A solution to the problems posed by the oxygenate mandate in RFG is absolutely necessary to solve the boutique fuels problem, because the mandate is a driving force behind the proliferation of boutique fuels and is the major deterrent to increased RFG usage. For this reason, we would be very interested in discussing with you the position that EPA will take on the mandate.

Sincerely,

A handwritten signature in dark ink, appearing to read 'E. H. Murphy', is located below the 'Sincerely,' text.

c: L. Fisher
C. Whitman